

# A Wraparound “Formulary”

## BACKGROUND

The Health Care Authority originally explored the possibility of a waiver to institute an enforceable, closed drug formulary similar to the type that exists in the commercial market and Medicaid managed care. The Centers for Medicare and Medicaid Services (CMS) was not willing to authorize such an approach. As part of the same conversation, the Health Care Authority proposed enforceable drug co-payments for Medicaid enrollees consistent with the 11-13 biennial budget. CMS representatives told us they did not believe they had the statutory authority to grant a waiver for enforceable co-payments or a closed drug formulary. Instead, CMS pointed to existing federal statutory authority for a “formulary-like” process with extensive client and provider protections. This approach is described in more detail below.

## FEATURES OF “FORMULARY-LIKE PROCESS”

- Assumes savings of \$1.8 million GF-S in Fiscal Year 2013 with an implementation date of September 1, 2012
- Follows Section 1927(d)(4) of the federal Social Security Act, which allows a state Medicaid program to develop a formulary-like process with the following conditions:
  - The formulary must be developed by the state’s Drug Utilization Review board
  - A drug can only be excluded from the formulary if it does not have a “significant, clinically meaningful therapeutic advantage in terms of safety, effectiveness, or clinical outcome of such treatment for such population over other drugs included in the formulary and there is a written explanation (available to the public) of the basis for the exclusion”
  - Coverage of a non-formulary drug must be made available through an authorization program.
- Authorization for a non-formulary drug will be approved if all formulary treatment options are either inappropriate or have proven ineffective for the client. Per CMS guidance, clients will have the right to an administrative hearing if authorization is denied.
- The wraparound formulary only applies to classes of prescription drugs *not* on the Preferred Drug List (PDL). The PDL and rules governing the prescribing of drugs in classes on the PDL will remain unchanged. There are several hundred classes of drugs that would be impacted, accounting for roughly 30% of prescription drug expenditures in the Medicaid fee-for-service program.
- The formulary would apply exclusively to the Medicaid Fee-For-Service population and does not impact Part D coverage for enrollees eligible for both Medicare and Medicaid. Managed care plans already manage prescription drug utilization through a formulary and are not impacted by this policy.
- The state must submit a state plan amendment and receive approval from CMS.